GOVERNMENT OF INDIA
POWER
LOK SABHA

STARRED QUESTION NO:365
ANSWERED ON:08.08.2002
REFORMS IN POWER SECTOR
CHANDRA BHUSHAN SINGH

Will the Minister of POWER be pleased to state:

(a) whether the Associated Chambers of Commerce and Industry of Indiahas submitted a six point agenda for reforms in the power sector.

(b) if so, the views of the Government thereon;

(c) whether one of the agenda submitted by the ACCIl was for rationalizing of power tariff; and

(d) if so, the steps taken by the Government in this regard?

Answer

THE MINISTER OF POWER (SHRI SURESH PRABHU)

(a) to (d) : A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OSTARRED QUESTION NO. 365 TO BE ANSWERED IN TI LOK SABHA ON 08.08.2002 REGARDING REFORMS IN POWER SECTOR.

(a) : No, Sir.

(b) & (c) : Do not arise

(d) : The Union Government have taken several steps for rationalization of electricity tariff such as;

(i) The National Development Council (NDC) appointed a Committee onPower chaired by the Chief Minister of Maharashtra. The report submitted in September, 1994 recommended inter alia, that,

- The State Governments should adopt minimum All India agricultural tariff asnotified by Ministry of Power/Central Electricity Authority and also agree to provide subsidy to the SEBs in a transparent manner to compensate for the losses, if any.

- Subsidies to the agricultural consumers should be progressively phased out.

(ii) Chief Ministers` Conference held in 1996 adopted the Common MinimumNational Action Plan for Power (CMNAPP) which envisages, inter alia that:

No sector shall pay less than 50% of the average cost of supply (cost of generation plus transmission and distribution) and that tariffs for agricultural sector will not be less than 50 paise/KWH to be brought to 50% of the average cost in not more than three years.

(iii) The Government of India have enacted the Electricity RegulatoryCommissions Act, 1998 with a view to rationalizing tariff and providing for transparent policies regarding subsidies. The Regulatory Commissions areexpected to fix tariff so as to progressively reflect the cost of supply, encourage efficiency, economy and competition. The Regulatory Commissions are also required to ensure that interests of consumers are safeguarded and at the same time consumers pay for the use of electricity in a reasonable manner based on the average cost of supply. The Act also provides that if a state Government requires the grant of any subsidy to any consumer or class of consumers in the tariff determined by the State Commission, the State Government shall pay the amountto compensate the person affected by the grant of subsidy.

(iv) The Conference of Chief Ministers/Power Ministers held on 26.2.2000recognised that the cross subsidies cannot be sustained if the industrial tariff makes industry non-competitive.

(v) The Chief Ministers/Power Ministers Conference held on 3.3.2001 resolved inter-alia that,

- the quality of power supplied especially in rural areas needs to be improved through the Accelerated Power Development Programme and other programmes quickly.

- SERCs may be made functional in six months and tariff filings made. Tarifforders issued by Central Electricity Regulatory Commission and SERCs needto be implemented fully unless stayed or set aside by court orders. It is necessary to move away from the regime of providing free power.

- The past decisions of Chief Ministers for minimum agricultural tariff of 50 paise may be implemented immediately.

(vi) In the Electricity Bill 2001, which has been introduced in the Parliament itis provided that tariff should progressively reflect the cost of supply and progressively reduce and eliminate cross subsidies. The Bill further provides thatif the State Government grants any subsidy to a consumer or a class of consumers, it shall pay, in advance and in the manner as may be specified, the amount to compensate the person affected by grant of subsidy. It also provides that if the State Government does not pay the subsidy in accordance with the legal provisions, the State Governments direction regarding subsidy will not be operative.

(vii) It may be noted that the ultimate objective of the reform measures initiated by the Government of India is to ensure quality supply of electricity to consumers at affordable rates. Of late, it has been recognized that the real challenge of power sector reforms lies in distribution segment. Several steps have been taken towards distribution reforms. The strategy of reform seeks to address the core issues of governance and technical upgradation. As regards governance, thrust is mainly on

- energy audit at 11 KV substation/feeder;
- 100 per cent metering of 11 KV feeders/consumers;
- identification and reduction/elimination of theft;
- profit centers/accountability at micro level.
- Decentralised Management of distribution through Panchayats/Users` Association/Franchises in rural areas.

On technical front, there is a scope for reduction of 10% technical loss reduction

- The Accelerated Power Development and Reforms Programme (APDRP) hasbeen launched for financing projects for system loss reduction. Under this programme incentives are also envisaged for States for investment in distribution sector as Central Grant subject to satisfactory progress in bridging the gap between cost and revenue per unit.

- A Task Force has been set up for developing synergy between Information Technology (IT) and the power sector with the objective of applying IT in improving the quality of service in the power sector and having an effective Management Information System (MIS) with the objective of making energy audit effective which would also permit effective action against theft of electricity.

- Several States have taken effective steps towards reduction / elimination oftheft. The States of Andhra Pradesh, Karnataka, Uttar Pradesh, Madhya Pradesh and West Bengal have passed anti-theft laws. The Electricity Bill,2001 which has been introduced in Parliament also has stringent provisions against theft of electricity.

Besides these measures, thrust has also been laid on energy conservation in order to improve efficiency of energy use. Regulatory Commissions have been given powers to encourage competition and efficiency in the electricity industry. All these measures are expected to improve the performance of the power sector and in turn bring in the desired results in terms of reasonable tariff for consumers.